



Customer Collaborative August Meeting

Financial Overview through June 30, 2005

- FCRPS Modified Net Revenue (MNR) has increased in the 3rd Quarter forecast versus the SOY budget. Third Quarter forecast MNR of \$101.7 million is an increase of \$38.5 million from the \$63.1 million SOY budget.
- Power Business Line MNR 3rd Quarter forecast is \$117.8 million, an increase of \$55.6 million from the SOY budget of \$62.2 million.
 - Current projections of net surplus sales prices indicate an improvement, providing for expected net secondary sales to earn around \$18 million more than the SOY. Although improved, net secondary revenues are volatile and dependent upon water supply, market prices, and hydro operations:
 - Water supply (MAF) projections are down from SOY forecasts (103 MAF vs. 81.2 MAF) yet up from 2nd Quarter Review forecasts (70.7 MAF vs. 81.2 MAF);
 - Even small changes in water volume in the remainder of the year can have significant impacts on the revenue forecast;
 - BPA's net secondary sales prices are higher compared to both SOY and 2nd Quarter Review forecasts;
 - Secondary revenues have been reduced by Federal district court spill decisions;
 - Any unit outages could significantly impact BPA revenue forecast particularly if BPA were forced into a net purchase position.



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- Other revenue decreases not associated with secondary sales, are primarily attributable to a \$26.6 million reduction in 4h10c credits.
- PBL expenses, excluding secondary market power purchases, EN non-federal debt service, and the effects of power purchases bookouts, have decreased \$56.3 million from the SOY budget. The expense decrease is primarily due to a \$21.8 million decrease in PBL Transmission Acquisition and Ancillary Services, \$7.3 million decrease in Environmental Requirements (reduction in mitigation costs for reduced summer spill that did not occur), a \$10.7 million decrease in net interest expense, and other expense reductions.
- TBL net revenue/expense 3rd Quarter forecast is improved by \$6.7 million from the SOY budget. Current forecasts put TBL net expense at \$21 million compared to the SOY budget estimated net expense of \$27.7 million.
 - TBL revenues are \$6.4 million lower than the SOY budget. Refinements to revenue classifications and reductions in miscellaneous revenue result in a current TBL total revenue forecast of \$633.4 million.



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- TBL Third Quarter forecast expenses have decreased by \$13.2 million compared to the SOY budget. Current forecast for expenses are \$654.4 million, down \$13.2 million from the SOY budget of \$667.6 million. Reductions are primarily due to a decrease of \$8.9 million net interest expense, decreases in operations and maintenance expense, with offsets resulting from increases in capital to expense transfers and depreciation expense.